

REMARKS OF
HENRY A. WAXMAN,
CHAIRMAN,
SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT
BEFORE
THE AMERICAN COLLEGE OF NURSING HOME ADMINISTRATORS
MAY 16, 1982

I AM PLEASED TO BE ABLE TO JOIN YOU FOR YOUR ANNIVERSARY MEETING. YOUR MEETING IS, AS I'M SURE YOU KNOW, A PARTICULARLY TIMELY ONE. THE CONGRESS IS NOW BEGINNING TO RECEIVE REPORTS ON THE CONFUSION AND DIFFICULTIES THAT THE 1982 BUDGET CREATED. WE HAVE HAD TESTIMONY ON THE MEASLES AND POLIO EPIDEMICS WE CAN EXPECT, ON THE NUMBER OF COMMUNITY HEALTH CENTERS THAT WILL CLOSE THIS YEAR, AND ON THE NUMBER OF PEOPLE WHO HAVE LOST THEIR FEDERAL HEALTH COVERAGE.

BUT EVEN BEFORE THESE SNARLS OF LAST YEAR ARE UNTANGLED, THE CONGRESS IS ALSO BEGINNING TO WORK ON ITS BUDGET FOR NEXT YEAR--OR, I SHOULD SAY, ON ITS MANY BUDGETS FOR NEXT YEAR.

AT LAST COUNT, THE BUDGET DEBATE CENTERED ON
THE SENATE BUDGET COMMITTEE BILL,
THE SENATE DEMOCRATS' COUNTEROFFER,
THE SENATE FINANCE COMMITTEE NUMBERS,
THE HOUSE BUDGET COMMITTEE PROPOSAL,
THE LIBERAL DEMOCRATS' ALTERNATIVE,
THE NEW CUTS OF THE BOLL WEEVILS, AND
THE SUGGESTIONS OF THE GYPSY MOTHS.

THERE ARE, OF COURSE, SEVERAL VERSIONS OF EACH OF THESE, AND A NUMBER OF OTHER SETS OF INSECTS AND NUMBERS THAT ARE NOT SERIOUS CONTENDERS FOR CENTER-RING DISCUSSION YET.

BUT THE ONLY PROPOSALS THAT HAVE BEEN REJECTED ALTOGETHER ARE THE ORIGINAL REAGAN-STOCKMAN BUDGET FROM THE WHITE HOUSE AND AN AMENDMENT BY CONGRESSMAN KEMP TO REQUIRE US TO STOP COUNTING THE SOCIAL SECURITY PROGRAM WHEN WE FIGURE OUT DEFICITS.

ALTHOUGH THE PROCESS NOW SEEMS MORE CONFUSED, IT'S THE CURRENT METHOD FOR MAKING POLICY FOR THE SAKE OF NUMBERS RATHER THAN PEOPLE. LAST YEAR'S BUDGET WAS A DEVASTATING PROCESS. THE RESULTS WILL, I'M AFRAID, HAUNT THE POOR AND THE ELDERLY FOR A LONG TIME.

THE REAGAN ADMINISTRATION CAME IN PROMISING LOWER DEFICITS, A BOOMING ECONOMY, AND A SAFETY NET TO TAKE CARE OF THOSE PEOPLE NOT SERVED BY THEIR MARKETPLACE PLANS.

BUT NOW WASHINGTON AND THE REST OF THE COUNTRY ARE FILLED WITH BAD NUMBERS, FAKE FORECASTS, TROJAN HORSES, AND A LOT OF BROKEN PROMISES:

*THE PRESIDENT HAS SAID THAT HE'S HURT THAT NEWSPAPERS WROTE ABOUT HIS CUTS IN THE CHILDHOOD IMMUNIZATION PROGRAM, BUT HE CAN'T DENY THAT THERE WILL BE FIVE MILLION FEWER DOSES OF POLIO AND MEASLES VACCINE AVAILABLE THIS YEAR.

*THE ADMINISTRATION HAS PROMISED THAT WE CAN CONTROL THE INCREDIBLE GROWTH IN HOSPITAL COSTS THROUGH THE MAGIC OF COMPETITION, BUT THEY HAVE YET TO MAKE A REAL PROPOSAL TO DO ANYTHING BUT CUT AND RESTRICT CARE.

*AND THE SO-CALLED "SAFETY NET" IS UNRAVELLING FAST, AS THE WHITE HOUSE PROPOSES CUTS IN SOCIAL SECURITY AND MORE CUTS IN MEDICARE AND MEDICAID.

ALL OF THIS IS ALARMING, BUT IT IS A FAMILIAR PATTERN BY NOW. BEFORE I DISCUSS THE LEGISLATION OF THIS YEAR, LET ME TRY TO DESCRIBE WHAT HAPPENED LAST YEAR AS PART OF THE BUDGET PROCESS.

AS YOU KNOW, MR. REAGAN PROPOSED THAT WE CAP MEDICAID AND CUT IT BY OVER TWO BILLION DOLLARS. THE CONGRESS FORTUNATELY DID NOT ADOPT THOSE NUMBERS, BUT MY SUBCOMMITTEE, AS WELL AS OUR COUNTERPARTS ON THE SENATE SIDE, WERE INSTRUCTED TO REDUCE THE PROGRAM BY \$950 MILLION IN 1982. IF WE REFUSED TO MAKE THE REDUCTIONS, THE HOUSE AND SENATE BUDGET COMMITTEES WOULD COME IN AND DO IT FOR US, WITHOUT REGARD TO HOW THE CUTS MIGHT AFFECT PROVIDERS AND THE POOR.

ALTHOUGH I HAD OPPOSED ANY REDUCTIONS, I HAD NO CHOICE BUT TO MAKE THEM IF THE INTEGRITY OF THE MEDICAID PROGRAM WAS TO BE PRESERVED. WITH THE SUPPORT OF THE FULL COMMITTEE CHAIRMAN, I PUT TOGETHER A PACKAGE THAT CUT THE REQUIRED AMOUNTS BUT CONTAINED THE DAMAGE TO THE PROGRAM.

THE THREE MAIN COMPONENTS OF THAT PACKAGE WERE:

- 1) A PERCENTAGE REDUCTION IN FEDERAL MEDICAID MATCHING PAYMENTS TO STATES;
- 2) A CHANGE IN HOSPITAL REIMBURSEMENT RULES; AND
- 3) A PROVISION AUTHORIZING THE STATES TO PURCHASE LABORATORY SERVICES, MEDICAL DEVICES, AND DRUGS THROUGH A COMPETITIVE BIDDING PROCESS. THIS PROVISION WOULD HAVE ENABLED STATES TO LIMIT THE "FREEDOM OF CHOICE" WITH RESPECT TO THESE SERVICES.

THE SENATE FINANCE COMMITTEE, WHICH HAS JURISDICTION OVER MEDICAID, TOOK A DIFFERENT APPROACH. THEY CHOSE TO CAP THE PROGRAM AT AN ARBITRARY LEVEL, TO REDUCE FEDERAL MATCHING RATES, AND TO ELIMINATE "FREEDOM OF CHOICE" ENTIRELY, OPENING THE POSSIBILITY OF A FORMAL TWO-CLASS SYSTEM OF MEDICAL CARE.

THERE WAS NOT MUCH OF A CHANCE FOR THE CAREFUL EXAMINATION WHICH WE MIGHT NORMALLY GIVE SUCH A CHANGE. WE HAD NO HEARINGS ON THE BILLS. THERE WAS NOT REALLY A SPECIFIC VOTE OR DEBATE ON THE FLOOR OF THE HOUSE. THE REAGAN BUDGET BILL MOVED TOO QUICKLY FOR CONGRESSMEN AND SENATORS TO FOLLOW ANY CHANGES EXCEPT THE ONES THEY HAD WRITTEN.

THE CONFERENCE TO RESOLVE THE DIFFERENCES BETWEEN THE HOUSE AND THE SENATE VERSIONS OF THE BUDGET BILL WAS A HUGE AND UNPRECEDENTED AFFAIR: 58 SUBCONFERENCES WERE MEETING SIMULTANEOUSLY. AS CHAIR OF THE HEALTH AND ENVIRONMENT SUBCOMMITTEE, I WAS NEGOTIATING IN FOUR SEPARATE SUBCONFERENCES.

THE MEDICAID ISSUES WERE ARGUED OUT BETWEEN MY COMMITTEE AND THE SENATE FINANCE COMMITTEE. THE NEGOTIATIONS BEGAN ON JULY 15. BY JULY 28, MOST OF THE OTHER SUBCONFERENCES HAD REACHED AGREEMENT, AND THE PRESSURE NOT TO "HOLD UP THE PRESIDENT'S BUDGET BILL" WAS GROWING INTENSE. BUT THE SENATE WAS DUTIFULLY PRESSING THE ADMINISTRATION'S PROPOSALS TO CAP MEDICAID AND REPEAL "FREEDOM OF CHOICE" AND OUR SUBCONFERENCE WAS STILL DEADLOCKED.

BY LATE AFTERNOON IT WAS CLEAR THAT NEITHER SIDE WAS WILLING TO CHANGE THEIR MINDS IN A CROWDED CONFERENCE ROOM IN THE CAPITOL BUILDING. SENATOR DOLE SUGGESTED THAT WE MOVE TO THE SENATE MAJORITY LEADER'S OFFICES, WHERE WE WERE JOINED BY SENATOR BAKER, SENATOR DOMENICI, AND CONGRESSMAN PANETTA OF THE HOUSE BUDGET COMMITTEE.

LATE IN THE EVENING, THE OUTLINE OF A COMPROMISE BEGAN TO TAKE SHAPE. OVERALL, I CAN REPORT TO YOU THAT THE MEDICAID PROGRAM EMERGED FROM THIS PROCESS IN BETTER SHAPE THAN WE COULD REALISTICALLY HAVE HOPED FOR. BUT THE DAMAGE IS REAL.

HOSPITAL REIMBURSEMENT RATES HAVE BEEN CHANGED.

THERE IS NO CAP ON MEDICAID. BUT FEDERAL MATCHING PAYMENTS TO STATES HAVE BEEN REDUCED 3% THIS YEAR AND WILL BE REDUCED 4% MORE NEXT YEAR.

THERE ARE NO RADICAL CHANGES IN THE ABILITY OF PATIENTS TO CHOOSE THEIR PROVIDERS. BUT, IF THE SECRETARY APPROVES, THE STATES MAY LIMIT THE MEDICAID PATIENTS' FREEDOM OF CHOICE OF PROVIDERS UNDER "COST-EFFECTIVE AND EFFICIENT ARRANGEMENTS."

WE HAVE NOT REVERSED THE FEDERAL COMMITMENT TO THE POOR AND THE ELDERLY. BUT WE HAVE DRASTICALLY SLOWED THE GROWTH OF MEDICARE AND MEDICAID AND WE HAVE FORCED THE STATES TO CUT BACK ON THEIR COMMITMENT TO THEM.

WE HAVE CUT 3% FROM MEDICAID MATCHING PAYMENTS IN 1982, 4% IN 1983 AND 4.5% IN 1984--A BILLION DOLLARS THIS YEAR, A BILLION NEXT YEAR, AND A BILLION MORE THE YEAR AFTER THAT.

IN LONG TERM CARE POLICY, HOWEVER, THERE WAS SOME SIGNIFICANT PROGRESS MADE IN THE BUDGET BILL. WE HAVE ALLOWED STATES TO REQUEST FROM THE SECRETARY A WAIVER OF EXISTING REQUIREMENTS TO ENABLE THEM TO OFFER HOME AND COMMUNITY-BASED SERVICES AS AN ALTERNATIVE TO PERSONS IN NEED OF NURSING CARE. (SOME OF YOU MAY RECOGNIZE THIS AS A MODIFICATION OF THE ORIGINAL PEPPER/WAXMAN COMMUNITY CARE ACT.)

I AM EXCITED BY THE POSSIBILITIES OF THIS PROVISION. ALL OF US MUST ACKNOWLEDGE THAT INADVERTENTLY, WE HAVE A SYSTEM WHICH ENCOURAGES INAPPROPRIATE INSTITUTIONALIZATION AND DISCOURAGES EFFORTS BY THE ELDERLY TO REMAIN IN THE COMMUNITY. FOR COST AND POLICY REASONS, IT IS IMPORTANT THAT WE MOVE TOWARD REIMBURSEMENT PROGRAMS WHICH ALLOW THOSE PEOPLE WHO ARE ABLE TO DO SO TO LIVE PRODUCTIVE LIVES OUTSIDE OF INSTITUTIONS.

A NUMBER OF STATES HAVE BEGUN TO TAKE ADVANTAGE OF THIS CHANCE TO OFFER RESPONSIBLE ALTERNATIVES TO THEIR POOR AND ELDERLY. A NUMBER OF OTHERS HAVE EXPRESSED INTEREST IN DOING SO.

I DO NOT MEAN TO SAY THAT COMMUNITY CARE IS THE ANSWER TO ALL LONG-TERM CARE PROBLEMS. HOWEVER MUCH WE EXPAND HOME HEALTH, THERE WILL STILL BE A NEED--EVEN A SHORTAGE OF--ADEQUATE NURSING HOME CARE FOR THE DISABLED AND THE ELDERLY.

COMMUNITY CARE CAN ENSURE THAT THE INDEPENDENT ELDERLY CAN LIVE INDEPENDENTLY.

BUT EVEN THE MOST PROGRESSIVE OF HEALTH SYSTEMS MUST DEAL WITH LONG-TERM CARE, AND THE MOST SUCCESSFUL ONES MUST ADDRESS THEMSELVES TO OLDER AND SICKER PATIENTS. IT WOULD BE IMPOSSIBLE FOR MANY PEOPLE TO GO ON LIVING WITHOUT THE TOTAL CARE AND PROTECTION OFFERED IN A NURSING HOME.

BUT RATHER THAN BEGINNING TO ADDRESS ANY PROBLEMS OF SUCH SUBSTANCE, THE WHITE HOUSE HAS PROPOSED A SECOND ROUND OF DEEPER CUTS, AGAIN ASKING THAT THE MEDICAID PROGRAM BE CUT BY OVER TWO BILLION DOLLARS AND THAT SUCH IMPORTANT PUBLIC HEALTH PROGRAMS AS FAMILY PLANNING AND COMMUNITY HEALTH CENTERS BE ELIMINATED ALTOGETHER.

IT MIGHT BE USEFUL TO LOOK AT SOME OF THE SPECIFIC ADMINISTRATION PROPOSALS TO SEE JUST WHAT THE MAGNITUDE OF THE MEDICAID COST-SHIFTING WILL BE. THE ADMINISTRATION PROPOSES TO SAVE \$600 MILLION IN FY 1983 BY REDUCING THE CURRENT FEDERAL MEDICAID MATCHING RATE FOR ALL SO-CALLED "OPTIONAL" SERVICES AND "OPTIONAL" ELIGIBILITY GROUPS BY THREE PERCENTAGE POINTS. THIS MEANS STATES WILL EITHER HAVE TO INCREASE THE AMOUNT OF MONEY THEY PUT INTO THE MEDICAID PROGRAM OR CUT BACK ON CURRENT COVERAGE.

LET US BE CLEAR ABOUT WHO THESE "OPTIONAL" GROUPS ARE AND WHAT THESE "OPTIONAL" SERVICES ARE. THE "OPTIONAL" ELIGIBILITY GROUPS ARE NOT JUST THE MEDICALLY NEEDY, BUT ALSO INCLUDE ALL ELDERLY AND DISABLED PERSONS IN NURSING HOMES WITH INCOME IN EXCESS OF \$25 A MONTH.

THE "OPTIONAL" SERVICES INCLUDE NONSKILLED NURSING HOME CARE, PRESCRIPTION DRUGS, DENTAL CARE, EYEGLASSES, AND HEARING AIDS.

BUT AS I SAID AT THE BEGINNING, ALMOST EVERY MEMBER OF CONGRESS HAS FINALLY RECOGNIZED THAT THE PRESIDENT'S PROPOSALS ARE TOO HARSH AND SHORTSIGHTED.

AS EARLY AS LAST NOVEMBER, WHEN I FIRST GOT WORD OF SOME OF MR. STOCKMAN'S PROPOSALS, I WARNED THAT HIS SUGGESTED LONG-TERM CARE CAP WAS JUST A VARIATION OF THE IDEA THAT WAS DEFEATED LAST SUMMER.

IN JANUARY, AFTER THE PRESIDENT TRIED TO DIVERT US ALL WITH "THE NEW FEDERALISM", I DISAGREED STRONGLY WITH HIS MEDICAID CUTS AND, SHORTLY THEREAFTER, TESTIFIED BEFORE THE HOUSE BUDGET COMMITTEE IN OPPOSITION TO THIS FOOLISH "THREE PERCENT SOLUTION". MY SUBCOMMITTEE'S FORMAL REPORT TO THE BUDGET COMMITTEE ALSO REJECTED THE PROPOSAL.

AFTER VOICING SUCH CONSISTENT CRITICISM, I AM HAPPY TO TELL YOU THAT THIS CUT OF SO-CALLED OPTIONAL SERVICES AND OPTIONAL BENEFICIARIES NOW SEEMS TO HAVE BEEN DISCARDED BY EVERYONE BUT THE WHITE HOUSE AND THE CONSERVATIVE BOLL WEEVILS. OF THE SEVEN SETS OF NUMBERS THTA I MENTIONED, THE PROPOSAL APPEARS IN THE NUMBERS OF THE CONSERVATIVE SOUTHERN DEMOCRATS AND NOWWHERE ELSE--NOT EVEN IN THE SENATE BUDGET RECOMMENDATION.

BUT LARGE REDUCTIONS IN THE HEALTH BUDGET COULD FORCE COMMITTEES TO BRING THE SUGGESTION BACK TO LIFE, WITH ADMINISTRATION SUPPORT. AS THE BUDGET PROCESS CONTINUES, WE MUST ALL CONTINUE TO BE ON GUARD.

I HAVE A CLEAR SENSE THAT THIS ADMINISTRATION FEELS NO NATIONAL RESPONSIBILITY TO PROVIDE CARE OR COVERAGE WHERE THE COMPETITIVE MARKET FAILS. THE ADMINISTRATION BELIEVES INSTEAD THAT SUCH CARE IS NOT A RIGHT OF AMERICANS, BUT MAYBE ONLY OF CALIFORNIANS OR NEW YORKERS OR THOSE WHO ARE FORTUNATE ENOUGH TO BE OLD IN A WEALTHY AND COMPASSIONATE STATE.

TODAY THAT SHIFT FROM FEDERAL RESPONSIBILITY AFFECTS BLOCK GRANTS FOR HEALTH AND LARGE PARTS OF THE MEDICAID PROGRAM.

THE SO-CALLED "NEW FEDERALISM" IS MUCH THE SAME THING. THE ADMINISTRATION HAS PROPOSED TO TAKE OVER RESPONSIBILITY FOR THE MEDICAID PROGRAM, BUT WHAT KIND OF PROGRAM DO THEY HAVE IN MIND? A PROGRAM THAT PROVIDES ADEQUATE COVERAGE TO THE POOR? OR THE REMAINS OF A PROGRAM DECIMATED BY THE ADMINISTRATION'S BUDGET CUTS? I FEAR THAT WHAT THE ADMINISTRATION REALLY HAS IN MIND IS TO LIMIT FEDERAL DOLLARS FOR HEALTH CARE TO THE POOR, LEAVING THE STATES TO BEAR ANY ADDITIONAL COSTS, ESPECIALLY THE GROWING RESPONSIBILITY LONG TERM CARE. THE STATES WILL, OF COURSE, BEGIN TO SHIFT THESE COSTS TO THE COUNTIES--AND THE COUNTIES TO THE CITIES AND THE PROVIDERS AND THE POOR.

A FRIEND FROM THE CALIFORNIA LEGISLATURE--WHICH IS TRYING TO DEAL WITH LAST YEAR'S COST-SHIFTING AND REDUCE ITS MEDICAID SPENDING BY \$500 MILLION--PUT IT THIS WAY: THE PHONE CALL CAME FROM WASHINGTON, SAYING "WE HAVE BAD NEWS: LOTS OF CUTS." SO SACRAMENTO PUT THE CALL ON HOLD AND SAID TO L.A. COUNTY, "IT'S FOR YOU."

THE REAGAN NEW FEDERALISM WOULD EXPAND SUCH SHIFTING TO MONUMENTAL PROPORTIONS. IF A VOUCHER SYSTEM FOR MEDICARE BECOMES A REALISTIC PROPOSAL, THE SHIFT AWAY FROM FEDERAL RESPONSIBILITY WILL BECOME EVEN MORE DRAMATIC. THE FEDERAL CONTRIBUTION TO THE CARE OF THE ELDERLY AND DISABLED WILL BE FIXED, AND THESE PATIENTS--AND THEIR PROVIDERS--WILL HAVE TO ABSORB ANY ADDITIONAL EXPENSES.

AND IF STRAIGHTFORWARD CAPS ON MEDICARE AND MEDICAID WERE TO RE-APPEAR--AND THERE ARE INDICATIONS THAT SOME SENATE REPUBLICANS WILL BE TRYING AGAIN--GOVERNMENTS WOULD HAVE TO CHOOSE AMONG CURRENTLY COVERED SERVICES, TO FIND THE ONES TO CUT. WE CAN IMAGINE THAT "OPTIONAL SERVICES" WOULD GO FIRST. WE CAN PREDICT THAT NO MEDICALLY NEEDY PERSONS WOULD BE ELIGIBLE.

EVERYONE MUST UNDERSTAND. IF THESE NEW PROPOSALS ARE ADOPTED, MILLIONS WILL SUFFER, AND THERE WILL BE NO SAFETY NET TO CATCH THEM. THE MOST VULNERABLE WILL BE REDUCED TO A QUALITY OF LIFE WHICH IS DIFFICULT TO IMAGINE, AND IMPOSSIBLE TO ACCEPT.

I WILL OPPOSE THESE AND ALMOST ALL OF MR. REAGAN'S OTHER SHORT-SIGHTED PROPOSALS FOR REDUCING HEALTH CARE. I LOOK FORWARD TO WORKING WITH YOU IN THE FUTURE AS I AM WORKING WITH YOU NOW TO PROVIDE THE HIGHEST QUALITY CARE TO ALL AMERICANS.

THANK YOU FOR INVITING ME TO BE HERE. I LOOK FORWARD TO WORKING WITH YOU IN THE FUTURE AND I WILL BE GLAD TO ANSWER ANY QUESTIONS YOU MAY HAVE NOW.